

Introducing the New Nonemployer Statistics by Demographics Series (NES-D)

Adela Luque (presenter), Senior Economist, Center for Economic Studies

Aneta Erdie, Assistant Division Chief, Economic Reimbursable Surveys Division

March 18-19, 2021

Shape
your future
START HERE >

United States®
Census
2020

Agenda

- 2017 NES-D program summary
- Illustration of 2017 results
- Background refresher
- Timeline
- Next steps
- Questions

Program Summary

- Annual data series with **first official release December 17, 2020** (2017 reference year)
- **Content:**
 - Counts & receipts of nonemployer businesses by race, Hispanic origin, sex and veteran status of business owners
 - Counts of nonemployer business owners by race, ethnicity, sex, veteran status, place of birth, citizenship & age
- **Detail:** Geography & industry detail, receipt-size class, and legal form of organization
 - Current Geo Detail: U.S., state, MSA
 - Current Industry Detail: All sectors, 2 and 3-digit NAICS
- **Coverage:** Nonemployer universe*
- **Data sources:** Leverages existing administrative records (AR) and Census data (i.e., IRS tax data, Decennial Census, American Community Survey, Business Register, SSA Numident, AR from DVA) -- **Not a survey**
- **Frequency:** Annual
- **Additional features:** No additional respondent burden, more frequent, lower imputation rates, and lower costs than predecessor (quinquennial Survey of Business Owners)

*Excluding C-corporations

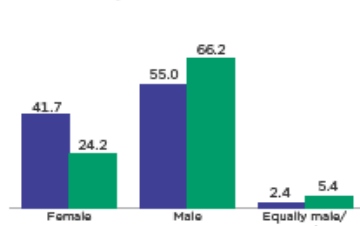
Illustration of 2017 Results

Introducing the New Annual Nonemployer Demographics Statistics (NES-D)

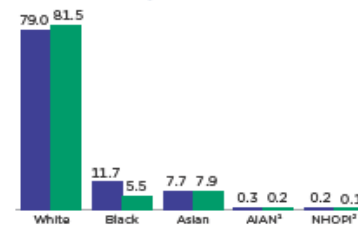
NES-D provides annual data on nonemployer business demographics (e.g., sex, ethnicity, race and veteran status) from existing administrative records and U.S. Census Bureau data.

■ Percent of total nonemployer businesses ■ Percent of total nonemployer business receipts

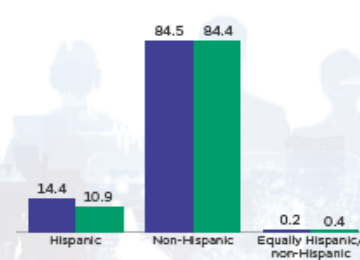
Share of nonemployer businesses and receipts by owners' sex



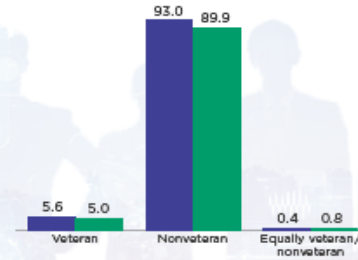
Share of nonemployer businesses and receipts by owners' race



Share of nonemployer businesses and receipts by owners' Hispanic origin



Share of nonemployer businesses and receipts by owners' veteran status



¹ American Indian and Alaska Native.

² Native Hawaiian or Other Pacific Islander.

Notes: Excludes nonemployer C-corporations, which account for approximately 2% of nonemployer businesses and 4% of receipts.

Less than 1% of nonemployer businesses are not eligible for demographic classification for reasons such as being owned exclusively by other businesses (i.e., having no person owners). These unclassifiable businesses account for about 4% of receipts.

The Census Bureau has reviewed this product for unauthorized disclosure of confidential information and has approved the disclosure avoidance practices applied. Approval ID: CDBDRB-FY20-390.

United States[®]
Census
Bureau

U.S. Department of Commerce
U.S. CENSUS BUREAU
census.gov

Source: 2017 NES-D

<www.census.gov/programs-surveys/abs.html>

Table 1 - Statistics for Nonemployer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, and Metro Areas: 2017

Geographic Area Name	2017 NAICS Code	Meaning of 2017 NAICS Code	Meaning of Sex Code	Meaning of Ethnicity Code	Meaning of Race Code	Meaning of Veteran Code	Year	Noise Flag	Number of Nonemployer Firms	Sales, Value of Shipments, or Revenue of Nonemployer Firms (\$1,000)
U.S.	00	Total for all sectors	Female	Hispanic	White	Total	2017 G		1,327,000	30,348,513
U.S.	00	Total for all sectors	Female	Hispanic	Black or African American	Total	2017 G		138,000	2,389,886
U.S.	00	Total for all sectors	Female	Hispanic	American Indian or Alaska Native	Total	2017 G		14,000	288,708
U.S.	00	Total for all sectors	Female	Hispanic	Asian	Total	2017 G		75,500	1,588,476
U.S.	00	Total for all sectors	Female	Hispanic	Native Hawaiian or Other Pacific Islander	Total	2017 G		4,200	82,410
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Total	2017 G		8,987,000	251,044,653
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Veteran	2017 G		130,000	2,890,712
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Equally veteran/nonveteran	2017 G		1,300	86,163
U.S.	00	Total for all sectors	Female	Non-Hispanic	Total	Nonveteran	2017 G		8,856,000	248,067,778
U.S.	00	Total for all sectors	Female	Non-Hispanic	White	Total	2017 G		6,765,000	201,848,190
U.S.	00	Total for all sectors	Female	Non-Hispanic	Black or African American	Total	2017 G		1,423,000	21,151,609
U.S.	00	Total for all sectors	Female	Non-Hispanic	American Indian or Alaska Native	Total	2017 G		24,000	487,381
U.S.	00	Total for all sectors	Female	Non-Hispanic	Asian	Total	2017 G		760,000	27,001,753
U.S.	00	Total for all sectors	Female	Non-Hispanic	Native Hawaiian or Other Pacific Islander	Total	2017 G		12,500	300,394
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Total	2017 G		3,700	312,353
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Veteran	2017 H		< 15	751
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Equally veteran/nonveteran	2017 G		100	7,885
U.S.	00	Total for all sectors	Female	Equally Hispanic/non-Hispanic	Total	Nonveteran	2017 G		3,600	303,717

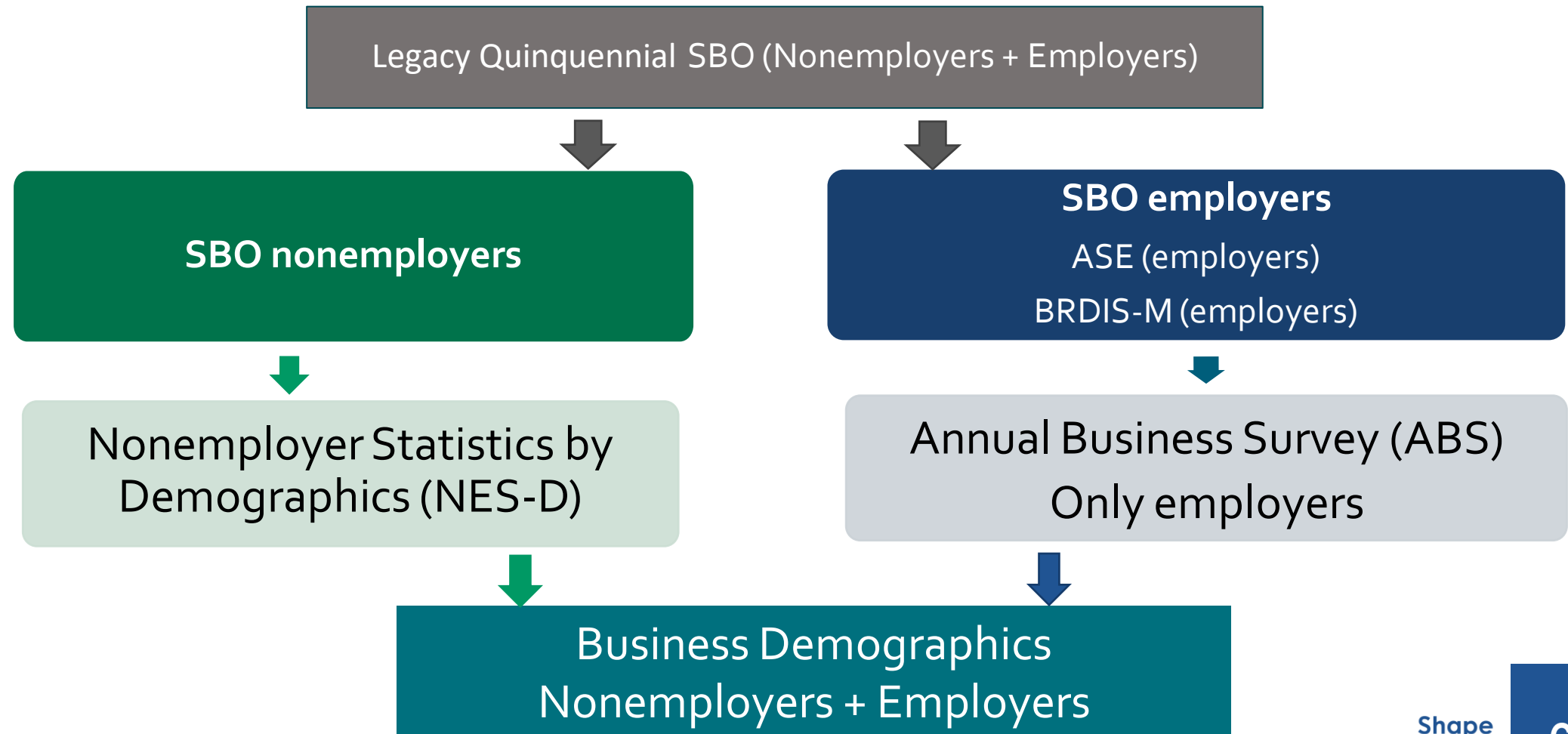
DRB Approval ID CDBDRB-FY20-390

Shape
your future
START HERE >

United States[®]
Census
2020

Background (1/2)

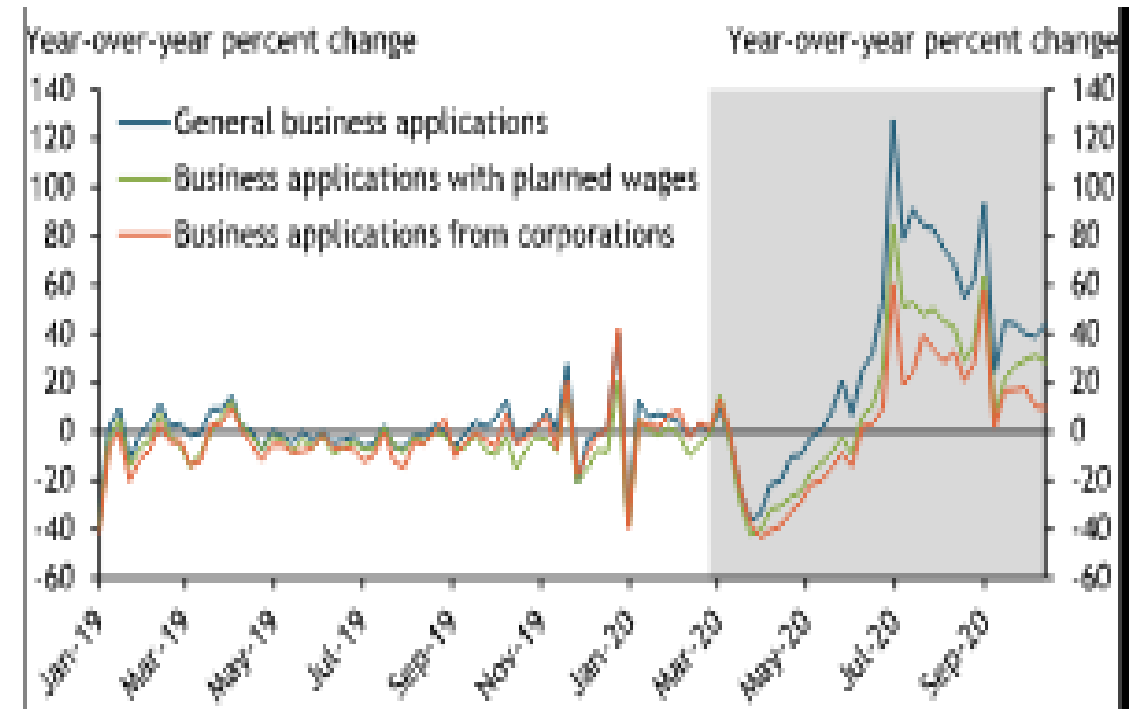
Annualization of Business Demographics Statistics & Business Survey Consolidation



Background (2/2)

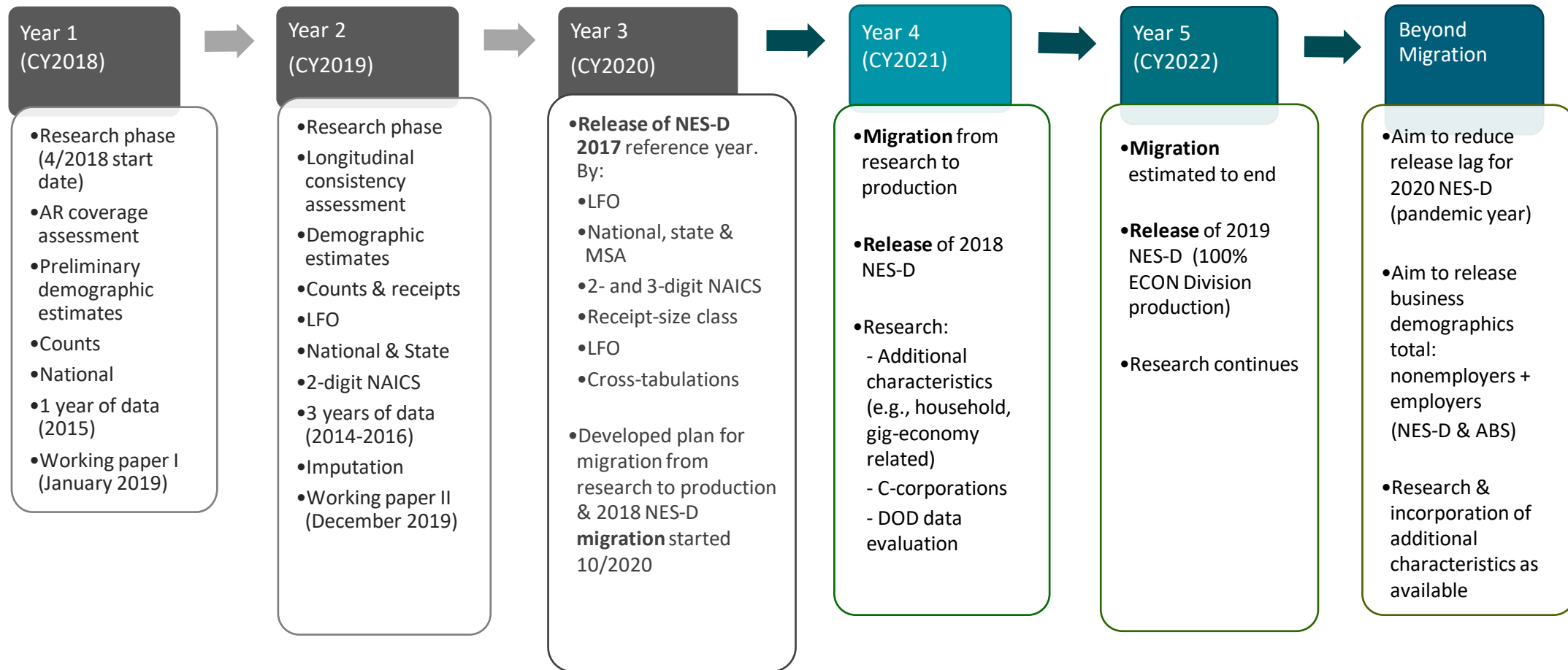
Nonemployers Basics

- Nonemployers: businesses w/ no paid employment, subject to federal income taxes, & w/ annual receipts of \$1,000 or more (\$1 or more for Construction sector)
- As of 2017, there were approximately 26 million nonemployers accounting for about 83 percent of all businesses but only about 3 percent of receipts
- Nonemployer growth outpacing that of employers
 - From 2014 to 2018, number of nonemployers grew by approximately 11 percent and employer firms by approximately 3.5 percent
- Unprecedented increase in business applications during pandemic (see graph) – will they become nonemployer businesses?



Sources: Business Formation Statistics, U.S. Census Bureau.

Timeline



Next Steps

- **Total business demographics:** Release combined nonemployer + employer demographics -- NES-D is part of total business demographics
- **Increase level of detail:**
 - Geo detail: Potentially down to county level in future releases as disclosure-avoidance rules allow
 - Industry detail: Potentially down to 6-digit NAICS in future releases as disclosure-avoidance rules allow
- **Shorten dissemination lag from 3 to 2 years -- more timely**
- **Additional characteristics, including:**
 - Household (e.g., marital status)
 - Related to gig-economy (e.g., does nonemployer also work for a wage? Does nonemployer use contractors?)
 - Transitions to employer status
 - Firm age, patenting activity, exporter/importer status
- **C-corporation demographics** – AR do not identify C-corporation owners. Impute demographics?
- **Department of Defense data evaluation** – Can we better align AR-based (NES-D) & survey-based (Annual Business Survey, employer firms) veteran concepts?

Questions

- Plans to increase geo and industry detail, and expand number & scope of nonemployers characteristics leveraging AR
 - In what other ways can we enhance NES-D's usefulness?
- **Funding** is limited and requires year-to-year negotiations that are inconsistent in levels and drive uncertainty for the program
 - Potential strategies to obtain dedicated source of funding?
- Some loss of content on items hard or infeasible to obtain through AR (e.g., sources of business financing)
 - What are potential strategies to obtain that type of info?

Thank you

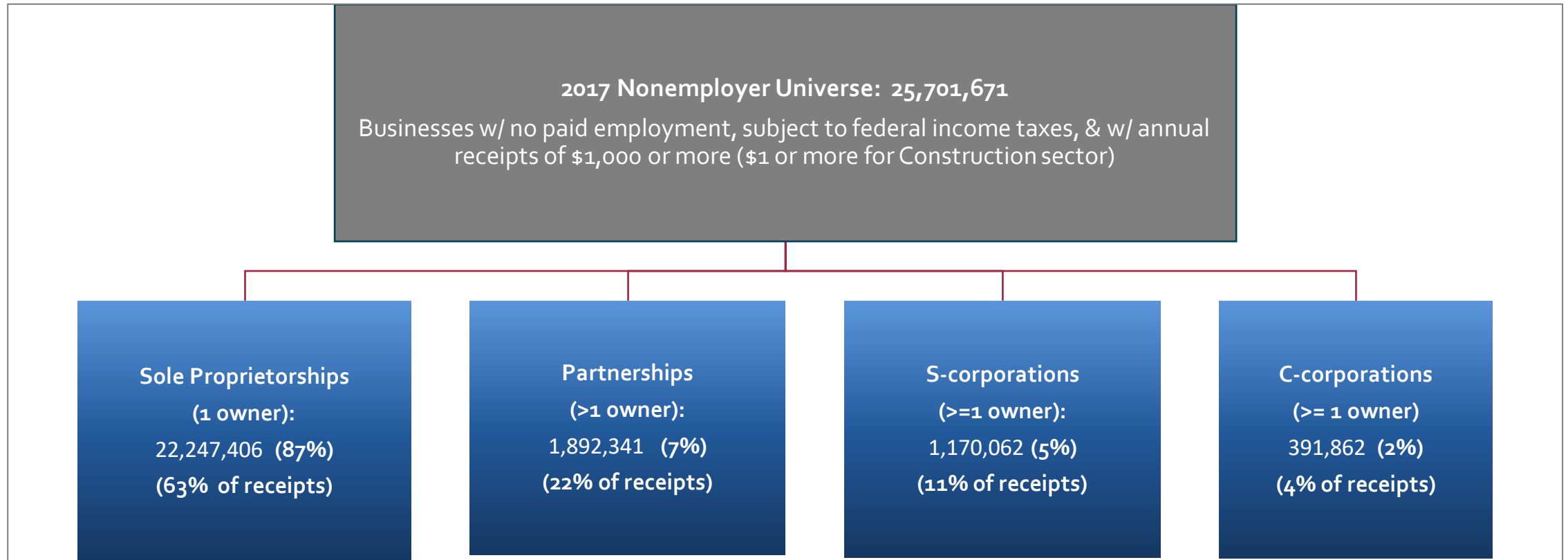
Aneta.Erdie@census.gov

Adela.Luque@census.gov

Shape
your future
START HERE >

United States[®]
Census
2020

Nonemployers at a Glance



Tables & Level of Detail (1/2)

TABLE 1: Number & receipts of nonemployer firms by demographics, geography (U.S., state and MSA),

industry (All sectors, 2-digit and 3-digit NAICS).				
Includes cross-tabulations as indicated below				
Demographics include sex, race, hispanic origin, minority status, and veteran status				
Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	3-way cross tabs	NO	NO
US	2-digit NAICS	3-way cross tabs	NO	NO
US	3-digit NAICS	No cross tabs	NO	NO
STATE	ALL SECTORS	3-way cross tabs	NO	NO
STATE	2-digit NAICS	3-way cross tabs	NO	NO
STATE	3-digit NAICS	No cross tabs	NO	NO
MSA	ALL SECTORS	2-way cross tabs	NO	NO
MSA	2-digit NAICS	No cross tabs	NO	NO

TABLE 2: Number & receipts of nonemployer firms by demographics, receipt-size class,

geography (U.S., state, MSA), industry (All sectors, 2-digit NAICS).				
Includes cross-tabulations as indicated below				
Demographics include sex, race, hispanic origin, minority status, and veteran status				
Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	2-way cross tabs	YES	NO
US	2-digit NAICS	2-way cross tabs	YES	NO
STATE	ALL SECTORS	2-way cross tabs	YES	NO
STATE	2-digit NAICS	No cross tabs	YES	NO
MSA	ALL SECTORS	No cross tabs	YES	NO

Tables & Level of Detail (2/2)

TABLE 3: Number & receipts of nonemployer firms by demographics, LFO, geography (U.S., state, MSA), industry (All sectors, 2-digit NAICS).

Includes cross-tabulations as indicated below				
Demographics include sex, race, hispanic origin, minority status, and veteran status				
Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	2-way cross tabs	NO	YES
US	2-digit NAICS	2-way cross tabs	NO	YES
STATE	ALL SECTORS	2-way cross tabs	NO	YES
STATE	2-digit NAICS	No cross-tabs	NO	YES
MSA	ALL SECTORS	No cross-tabs	NO	YES
MSA	2-digit NAICS	No cross tabs	NO	YES

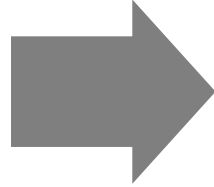
TABLE 4: Owner-level table. Number of owners by demographics* at U.S. level by 2-digit NAICS. *Demographics include the ones in Tables 1-3, plus age of owner, foreign-born & citizenship status.

Geo	Industry	Demographics	Receipt-size	Legal Form of Organization (LFO)
US	ALL SECTORS	3-way cross tabs	N/A	N/A
US	2-digit NAICS	2-way cross tabs	N/A	N/A
STATE	ALL SECTORS	Non-core demographics	N/A	N/A
MSA	ALL SECTORS	Non-core demographics	N/A	N/A

Nonemployer Demographics – Past & Present

Previously:
Collected as Part of SBO

- Survey (2012) – sample size approx. 800,000 nonemployer firms
- Every five years
- 3-year dissemination lag from reference year
- Low response rate => high imputation rate & costs
- High respondent burden



Currently:
NES-D -- AR & Census Data

- **Not a survey** - Nonemployer universe (approx. 26 mill. as of 2018)
- Leverages AR & Census data to assign demographics to business owners
- Annual – **higher frequency**
- Aims to shorten dissemination lag to 2 years (from reference year) – **more timely**
- **No additional respondent burden**
- Reduces imputation & costs => **higher quality**
- First official release 12/17/2020 with 2017 reference year (when 2017 SBO would have been released)